

MEMORANDUM

TO: Members, Utah State Board of Education

FROM: Dr. Larry K. Shumway, Ed.D.
State Superintendent of Public Instruction

DATE: October 2, 2009

ACTION: **Grand County School District Request for Aid Under R277-420,
*Aiding Financially Distressed School Districts***

Background: Grand County School District has been in transition in its business and fiscal management for the past four months. During its preparation of the current year budget, the school district found that its audited financial statements and current fiscal situation did not agree. A forensic audit is underway to discover the nature and extent of the discrepancies. Preliminary findings indicate that the fiscal year 2007-2008 financial statements have an overstated operation and maintenance fund balance. This fund is now in an adjusted \$1.0 million deficit position for fiscal year 2007-2008. The local school board relied on the audited financial statements to build both the 2008-2009 budget and the current 2009-2010 school year budget. Without adjustments to the budget, the current budget will end with an additional \$1.2 million deficit.

The Grand County School District is solvent. There are sufficient fund balances in other categories to support debt and capital commitments of the school district. The local school board has made budget reductions and taken other measures to reduce the operational deficit. The Grand County School Board will seek authorization under R277-420, *Aiding Financially Distressed School Districts* to conduct inter-fund transfers as provided in law and Board rule.

Proposal: The Finance and Operations Committee will review the eligibility requirements under R277-420, *Aiding Financially Distressed School Districts*, and receive a report from Grand County School District on its fiscal plan to resolve the deficit and consider its application for inter-fund transfers.

Anticipated Action: The Finance and Operations Committee will recommend approval of Grand County School District's request and refer the matter for full Board action.

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